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Quality Counts: The value of OTA travelers

When the World Health Organization declared COVID-19 a global pandemic in March 2020, the impact on the travel industry was immense. Unprecedented volumes of cancellations flooded call centers, worldwide flights were grounded, and hotels closed their doors.

The global travel shutdown reverberated across the global economy. According to latest estimates from the World Travel & Tourism Council (WTTC), the global economy is facing a loss of \$5.5 trillion from the travel and tourism sector in 2020.¹

People across the globe were unable to leave their homes at the outset of the pandemic, but this did not stop them from dreaming of a vacation. Weekly surveys beginning in April revealed that people who visited Expedia.com did so primarily to map out their next trip—and that desire persists, as those who remain at home are eager to reconnect with loved ones and colleagues.²

The industry is experiencing early signs of recovery, but the way people travel—and how they make decisions—has changed. This research examines how COVID-19 altered traveler behavior, including spending patterns, and outlines effective strategies that accommodation providers can use to attract and engage travelers.

The research journey

This report contains information from four research studies conducted by BVA BDRC for Expedia Group. The first, completed in February 2020, studied the behavior of 1,900 US and international travelers to:

- Compare the spending patterns of OTA (Online Travel Agencies) travelers and direct hotel bookers
- Assess the volume of bookings captured by OTAs
- Evaluate the contributions of OTAs to the US travel industry

Subsequent studies were completed in June, July, and August 2020 to form an early analysis of how COVID-19 is changing US traveler spending and habits.

Key research findings

Traveler Preferences	Traveler Behavior
Travelers are 57% more likely to book their travel through an OTA now than before COVID-19	Domestic OTA travelers spend 16% more per trip and 5% more on-property than direct bookers
More than two-thirds of travelers say value is the most important factor in booking decisions	Domestic OTA travelers stay nearly 5 nights, compared to just over 4 nights by direct bookers
Two out of three travelers use OTAs to plan or research their trip	Domestic OTA travelers are good for communities, spending 12% more on meals and drinks, 6% more on activities, and 27% more on car rentals

¹ More than 197m Travel & Tourism jobs will be lost due to prolonged travel restrictions, WTTC, June 2020

² Why Visiting Intercept, Expedia Group, August 2020

OTAs generate 25 percent of US travel industry revenue

OTAs contribute significant value to the US tourism industry and the overall economy. We determine overall value by examining the OTA ecosystem in three areas: the spend of OTA customers versus direct and non-OTA customers, the proportion of all travel spend OTAs generate, and the number of US travel jobs OTAs create.

In 2019, OTAs contributed \$278 billion, or nearly 25 percent, of the \$1.1 trillion US travel and tourism sector.³ Before COVID-19, the US travel industry directly employed one in every 15 workers and was expected to create nearly 1.5 million new jobs in the next eight years.⁴

Prior to COVID-19, the US travel industry directly employed **one** in every **15 workers**



The US domestic travel sector posted nine years of consecutive growth from 2010 to 2019, totaling 2.39 billion trips in 2019.⁵ In contrast, growth in international travel to the US slowed in 2015 and peaked at just under 80 million in 2018.⁶

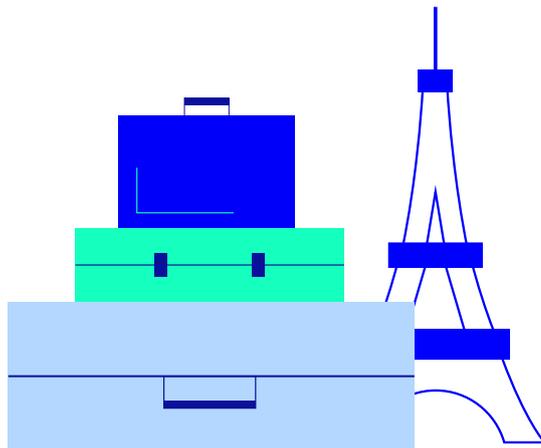
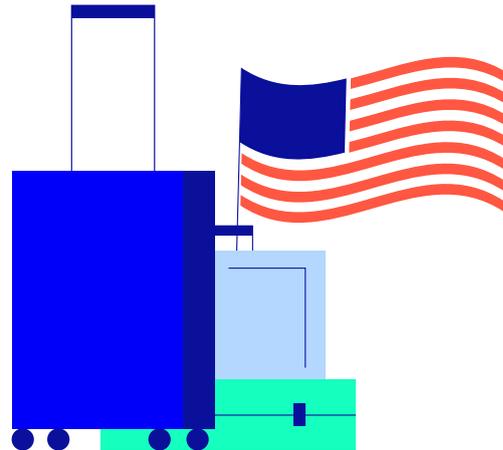
³U.S. Travel Association 2019 and BVA-BDRC

⁴[U.S. employment growth 2018-2028, by industry](#), Statista, Nov 2019

⁵U.S. Travel Association 2019

⁶U.S. Department of Commerce, ITA, I&A, National Travel and Tourism Office (NTTO) I-94 Program, Statistics Canada, and Instituto Nacional de Estadística y Geografía/INEGI in Mexico.

US domestic travel increased by **18%** from 2010 to 2019



US international travel increased by **32%** from 2010 to 2019

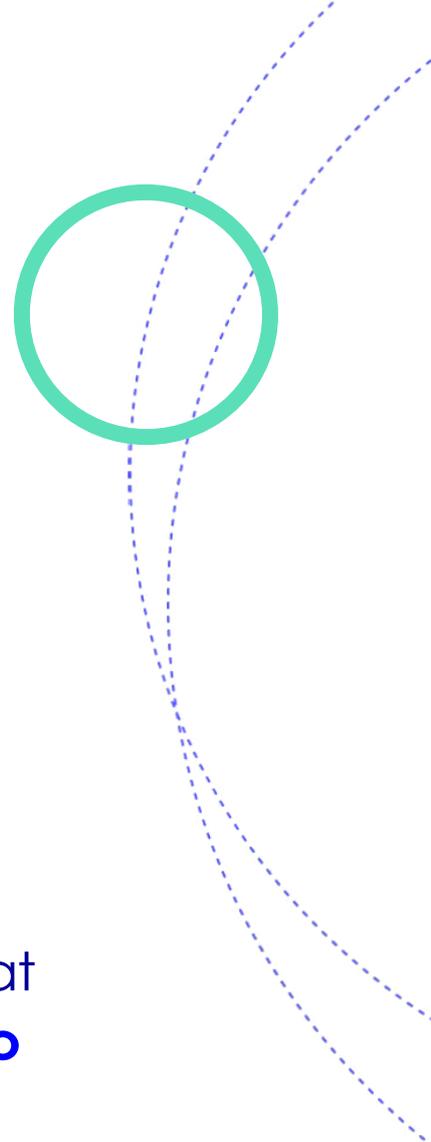
However, the impact of COVID-19 on travel to and within the United States in the first half of 2020 was extreme.

In April 2020, international visits to the US decreased 96.4 percent from the previous year.⁷ Domestic and international travel spend in 2020 is expected to decline by 40 percent, with the steepest drop for international travelers.⁸ Total international and domestic travel spend is forecasted at

\$622 billion for the full year. Employment numbers are expected to drop from one in 15 workers to one in 24. This is a stark difference compared to 2019, when the US was the world's largest travel economy, accounting for 21 percent of the sector's total contribution to global GDP.⁹

While the path to full industry recovery is a steep climb, bright spots are on the horizon.

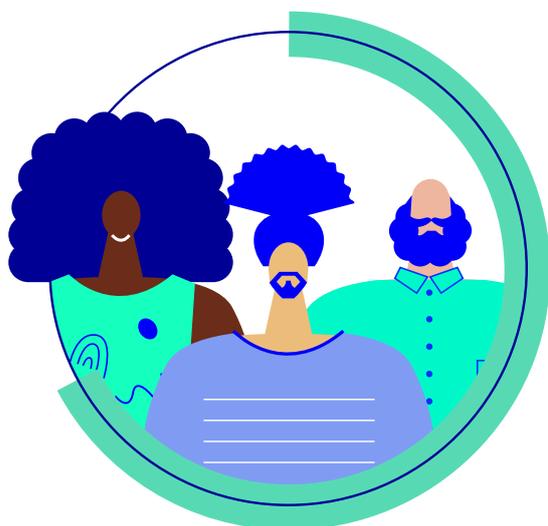
⁷ U.S. Department of Commerce, ITA, I&A, National Travel and Tourism Office (NTTO) I-94 Program, Statistics Canada, and Instituto Nacional de Estadística y Geografía/INEGI in Mexico.
⁸ U.S. Travel Association 2020 (note: detailed forecast estimates a 44 percent total travel decline in 2020)
⁹ [Global Economic Impact & Trends 2020](#), World Travel & Tourism Council, June 2020

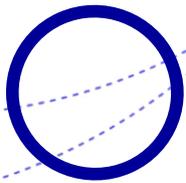


American travel in the next normal

Rebuilding the US economy will likely last through 2021 and beyond, but the country's mood is improving. According to this research, nearly two-thirds of Americans surveyed in August believe that life will return to "something close to normal" by 2021. What does this "next normal" look like for the travel industry, and how can lodging providers best prepare their properties to navigate a situation that is hard to predict?

Two-thirds of Americans believe that life will return to **"something close to normal" by 2021**





The research revealed key traveler sentiment trends for summer 2020:

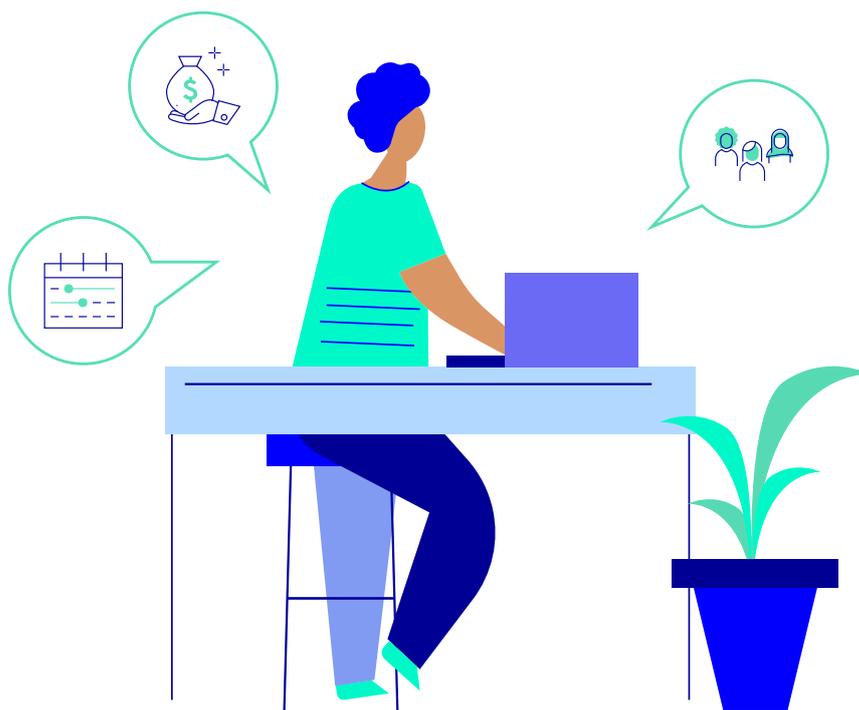
- **When will they go?** Optimism peaked in June and gradually moderated in July and August. In June, 23 percent of respondents expected to travel within 1-3 months, 28 percent said within six months, and 22 percent said six to 12 months. The remaining were unsure when they would travel; they just know they would like to at some point.
- **How will they get there?** Throughout the summer, more Americans traveled by car, up 20 percent in June 2020 compared to June 2019.
- **Where will they stay?** Mid-market and upscale hotels were down 13 percent and 30 percent, respectively. Budget and luxury remained the most sought-after hotel types, and alternative accommodations like vacation rentals saw a meaningful increase in preference. Two-thirds of travelers looking at alternative accommodations cited the lower risk of exposure to the virus in less-populated areas as a key selling point.
- **Will they travel for work?** Corporate travel is on an uneven recovery path, defined by phases as travel restrictions lift. According to global research from Egencia, Expedia Group's corporate travel management company, nine in ten companies believe their workforce will return to some business travel by January 2021, as government restrictions lift and the risk to employees declines.¹⁰ An interesting trend to emerge from COVID-19 is the "flexcation," an extended vacation that provides the benefit of a holiday and the practicality of a remote workspace. Four out of ten travelers surveyed for this report were likely to book this type of travel.

¹⁰Egencia survey, Expedia Group, July 2020

OTA travelers are important for recovery

A common misperception is that direct bookers are more profitable for a hotel than OTA travelers. This economic impact study shows that, prior to the pandemic, OTA travelers stayed more nights, spent more on-property, and generated more revenue for local communities. OTAs consistently outperformed hotel booking channels in providing the best nightly rate – meaning the higher spend of OTA travelers speaks to the quality of the customer, not the price of the product. As markets rebuild their local tourism industry, the contribution of OTA travelers cannot be overlooked.

OTA travelers **stay more** nights, **spend more** on-property, and **generate more revenue** for local communities.



While it is too early to see the lasting impact of COVID-19 on traveler spending behavior, trends point to the increasing importance of OTA travelers to the recovery of the global travel industry.

This research found six key behaviors that defined OTA traveler spend prior to the pandemic.

- The average trip spend for international travelers is nearly twice that of domestic travelers, while both groups spend about one-third of their trip expenditures on accommodations. Domestic OTA travelers spend 16 percent more per trip than direct bookers and, despite the perception that OTA travelers are searching for cheaper rates, they spend nearly the same amount as direct bookers on accommodations. Domestically, OTA travelers are more likely to book higher-end hotels, such as upper full service or luxury, than direct hotel bookers: 22 percent (OTA) vs 16 percent (hotel direct).
- OTA travelers stay more nights compared to direct hotel bookers. On average, domestic OTA travelers stay nearly five nights, while direct bookers stay just over four nights. International OTA travelers stay nearly seven and a half nights, compared to seven nights for hotel bookers. OTA travelers also spend more time in cities, staying an average of four and a half nights (domestic) and just less than eight and a half nights (international) compared less than three and a half nights for domestic direct hotel bookers and less than eight nights for international direct hotel bookers.
- Domestic OTA leisure travelers spend nearly 5 percent more on-property than hotel bookers, including amenities such as the hotel pool, hotel bar, gym, laundry services, restaurant, mini bar, and spa. International OTA business travelers spent 5 percent more on their total trip prior to the pandemic. All OTA business travelers, both international and domestic, spent 5 percent more on daily expenses.
- OTA travelers generate more economic stimulus for both destinations and the supporting communities. Domestic OTA travelers spend more on meals and drinks (+12 percent), activities (+6 percent), and car rentals (+27 percent). Domestic OTA travelers are active travelers, with shopping, visiting cultural attractions, and partaking in local cuisine topping the list of trip activities.
- OTA travelers are more likely to spend time in major cities than hotel bookers. Domestically, OTA bookers are nearly twice as likely to visit Atlanta and Miami and more than a third more likely to visit New York City. Internationally, both hotel and OTA bookers visit similar large US cities, but OTA bookers have higher visitation to more expensive cities, especially New York City (33 percent vs 25 percent), Los Angeles (22 percent vs 17 percent), Las Vegas (18 percent vs 14 percent), and Orlando (16 percent vs 11 percent).
- Domestically, millennials comprise nearly two-thirds of OTA travelers compared to less than half of direct hotel bookers. With a combined spending power of \$600 billion in 2015, millennial spending was on track to reach \$1.4 trillion and represent 30 percent of total retail sales in the US by 2020.¹¹ Prior to the pandemic, millennial OTA bookers spent 30 percent more on accommodations compared to millennials that book direct. In fact, millennial OTA bookers spent more per trip than any other generational group. It's no doubt that millennials will continue to be a highly coveted demographic for the travel industry well after COVID-19 recovery.

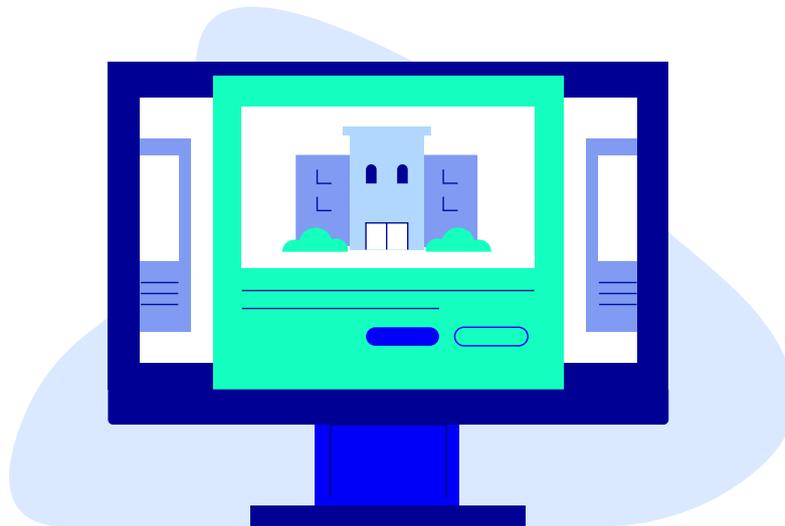
¹¹ [Who Are the Millennial Shoppers? And What Do They Really Want?](#) Accenture, 2013

Preference for OTAs is on the rise

The spending patterns of OTA travelers make them valuable guests as properties reopen their doors. OTA customers tend to travel for leisure and place value on overall trip experience. Direct hotel channels rely on consistent business traveler bookings, which are stalled as a result of the ongoing COVID-19 pandemic. This puts OTAs in position to capture the only segment currently traveling.

Based on this research, travelers are 57 percent more likely to book a hotel via an OTA than before the pandemic. This is most pronounced among millennials and Generation X, the two groups with the highest overall intent to travel.

Travelers are **57%** more likely to book **via an OTA** than before the pandemic

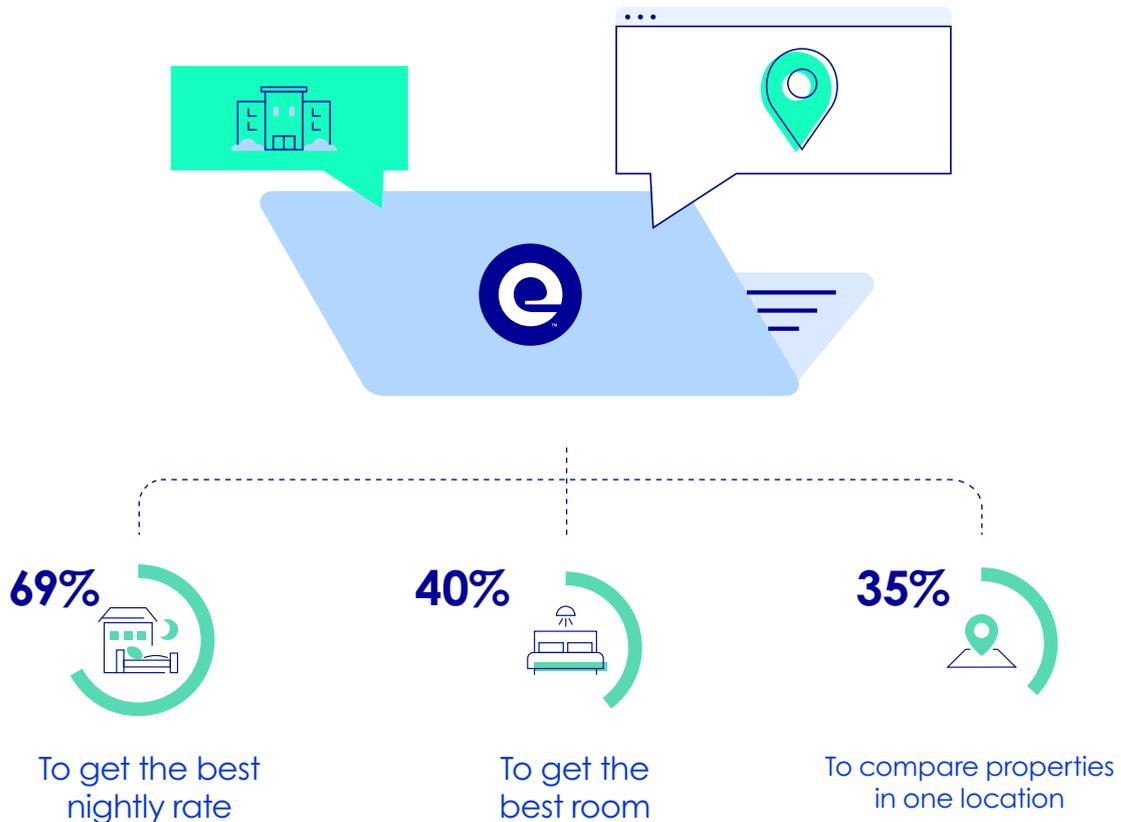


These are the top motivations driving an increased preference for OTAs according to respondents:

- More than two-thirds are looking for the best rate. Placing a greater priority on value is a common trend in periods of economic downturn, such as the 2008 financial crisis, where uncertainty caused Americas to not only postpone costly purchases of durable goods, like automobiles and appliances, but also to change their leisure and entertainment habits, such as dining at restaurants or attending a concert.¹²
- Nearly half want the best room to meet their expectations on size, safety, and cancellation policies.
- More than a third want to compare properties in one location to find the best option to meet their needs.
- Other motivations include earning reward points (32 percent), one-stop shopping (28 percent) direct promotions (26 percent), and buying a bundled offer, such a flight and hotel, in one transaction (25 percent).

¹² [Consumption in the Great Recession](#). The Russell Sage Foundation and The Stanford Center on Poverty and Inequality, October 2012

Top reasons travelers are using OTAs:



Making travel decisions

OTAs also play a critical role in the overall hotel purchase path. This is gaining importance as more travelers rely on OTAs to make travel decisions during the pandemic.

As found in this study, OTAs captured one-fifth of all domestic bookings and more than one-third of international traveler hotel bookings prior to the pandemic. Even among those who booked directly with a hotel, more than a third of domestic and nearly half of international travelers first used an OTA to research that hotel.

As a marketplace and one-stop shop, OTAs are widely used in the planning and research phases of travel booking to compare rates across multiple travel products. This study shows the majority of both domestic (61 percent) and international (74 percent) travelers use OTAs to plan or research at least one aspect of their trip, from hotels to flights, to car rentals, activities, and more. 56 percent of domestic and 71 percent of international travelers that use an OTA in the research and planning phase are likely to also book via an OTA.

The next step on the road to recovery

COVID-19 redefined traveler behavior. But the unprecedented events of the last year present an opportunity to re-examine our own behaviors and reset our strategies to appeal to travelers. To help the industry understand emerging leisure and business travel trends in the “next normal,” Expedia Group is continuously surveying customers, suppliers, and business travel managers to reveal new influences shaping travel preferences.¹³ Embracing new behaviors will help accommodation providers shift strategies to meet evolving traveler needs, and support companies as they reimagine travel policies.

Do more to stand out

More than eight in ten travelers said hotels in similar price ranges look the same online and that they must do more to stand out. This crossed generational lines, showing that properties should do more to make their value proposition unique and differentiated. Accommodation providers can differentiate by offering flexible cancellation policies or value-added incentives like breakfast vouchers, free parking, or upgrades to premium rooms.

Reputation, and cleanliness, matter

Nearly three-quarters of travelers read reviews before booking a property and rate the most influential reviews as those about “room cleanliness” and “overall condition of the hotel.” In addition, 80 percent of travelers believe if hotels do not respond to negative property reviews, then the review must be truthful.

Transport guests with great photos

Travelers look at an average of nine photos before deciding to stay at a property and more than a third would like 10 or more. Lodging partners should capture what is unique about their property, influencing guests in the dreaming or research phase of their travel journey to book.

Be communicative

Most travelers (70 percent) want to receive information on amenities prior to check-in. And nearly 60 percent of travelers are willing to share their arrival time, along with any special needs, in advance to improve their stay.

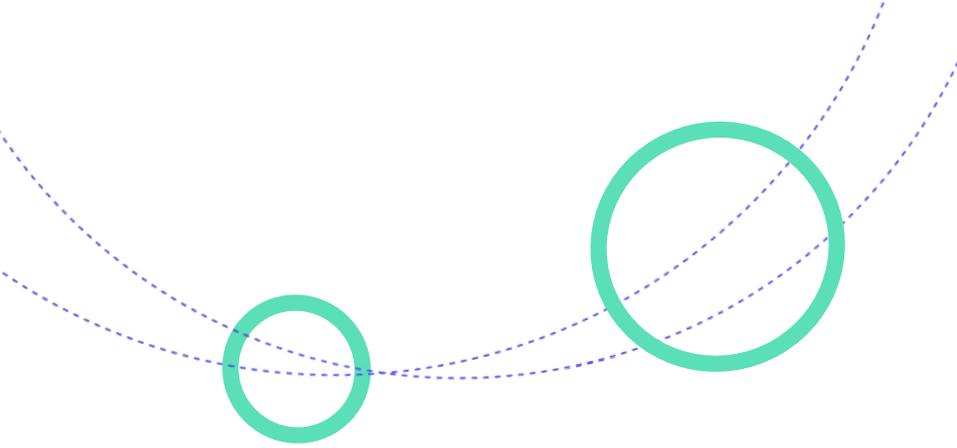
Stay up to speed on regulations

Those who rely on the short-term rental industry for income continually face regulatory hurdles. With the ever-changing operating environments and travel restrictions, property managers should routinely review local regulations to ensure they are up to date, or risk punitive action by authorities.

Rethink travel policies

Risk management remains a focus for travel managers. Staying up to date on country-level requirements, working with their stakeholders to set safety protocols, and aligning travel policies with company needs will remain key considerations as business travel resumes.

¹³ Expedia Group research, February to August 2020 (detailed in methodology)



Research methodology

Expedia Group partnered with BVA BCRC to study the behavior of nearly 1,900 US domestic and international travelers from November 2019 to February 2020. The goal of the research was to determine:

- The contribution of OTAs to the overall U.S. economy
- The volume of domestic and international hotel bookings captured by OTAs
- The value of OTA travelers compared to direct bookers through an analysis of spending patterns

BVA BDRC gained insight into the spending behavior of travelers by surveying them in one of two ways: after they booked a flight or after taking a recent business or leisure trip. The sample also includes domestic travelers who did not take a flight on their last trip. This ensured the research included information from travelers who used a wide variety of travel research and booking options.

All domestic travelers were required to have stayed in paid-for accommodation for at least one night in the past year. The total sample size (n=1870) was compiled of n=1103 international travelers to the United States and n=767 domestic travelers, equally distributed across both males and females.

The US Travel Pulse tracking survey was fielded in June, July and August 2020. Each survey wave captured n=500 US consumers (or a total of 1,500 across the three waves) who had engaged in one of several leisure activities and/or had taken a trip that included a flight and/or a hotel stay since January 1 of 2020.

Additional insights were sourced from: "What Travelers Want," an Expedia Group survey of 34,000 travelers in 13 countries conducted in February and May 2020; an Egencia survey of 2,300 travel managers conducted in June 2020, a Vrbo survey of 887 travelers conducted in July 2020, and an Expedia.com customer intercept survey conducted in August 2020.

Respondent profiles

Respondents were segmented by those with an air and hotel booking, and those with only a hotel booking. The average domestic traveler was 42 years of age, traveling with family (78 percent), and spending six nights away. The average international traveler was 44 years of age, traveling with family (81 percent), and spending 11 nights away. Further demographic data includes the mode of travel mode – flight or car – and whether the trip was for leisure or business.

Western Europe represented the largest percentage of origin markets at 35 percent, followed by Canada (19 percent), Latin America (14 percent), Mexico (8 percent), Asia (8 percent), the Middle East and Africa (8 percent), and Eastern Europe (3 percent).



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